



Summary of Benefits and Coverage (SBC) Frequently Asked Questions (FAQs)

Updated October 2014

The federal healthcare reform law, known as the Patient Protection and Affordable Care Act (PPACA), requires group health plans to provide enrolled and otherwise eligible individuals with a uniform, easy-to-read “Summary of Benefits and Coverage” (SBC) describing the benefits and limitations of coverage under each plan option. This SBC distribution requirement, which became effective for the 2013 plan year, applies at each annual open enrollment and at certain other times. It is intended to help benefits-eligible employees, under age 65 retirees and COBRA beneficiaries compare their employer-provided medical plan benefit options with other available coverage options, such as those provided through “Health Insurance Marketplaces” (also referred to as “Exchanges”) which became available January 1, 2014 under PPACA.

There are strict requirements regarding the content and distribution of SBCs. HealthTrust annually prepares an SBC for each of the HealthTrust medical plan options (including prescription drug coverage) currently offered by its Member Groups. We will provide the relevant SBC templates electronically to groups prior to the open enrollment period for their annual (January or July) renewal. **Each Group, as the employer, must distribute the applicable SBC(s) in either paper or electronic form to eligible employees, under age 65 retirees and COBRA beneficiaries beginning on the first day of the annual open enrollment period for their January or July renewal.**

Given that HealthTrust and you, as employer, have responsibilities to ensure compliance with these SBC distribution requirements, we will need to collaborate to succeed.

The following FAQs are designed to answer some of the questions that have arisen about the SBC requirements. We will continue to update these FAQs as further information and guidance is issued.

In addition to these FAQs, HealthTrust will continue to periodically provide Member Groups with information on the SBC distribution requirements, including when HealthTrust provides SBCs to Groups prior to the open enrollment period for your annual renewal.

If you have questions about these FAQs or the SBC requirements, please contact your HealthTrust Benefits Advisor at 800.527.5001.

Disclaimer

These *Frequently Asked Questions* are provided for general informational purposes. They are not intended as and do not constitute legal advice. The information contained herein should not be relied upon or used as a substitute for consultation with legal, accounting, tax and/or other professional advisers. Questions regarding specific issues should be addressed to those advisers.

Q1: What group health plans are subject to the new SBC requirements?

Employer group health plans that are subject to PPACA are required to furnish SBCs to enrolled and otherwise eligible individuals. In general, this includes any plan offering group medical (including prescription drug) coverage. An SBC does not have to be provided for retiree-only plans (such as Medcomp) or other “excepted benefit” plans (for example, stand-alone dental or vision plans, Health FSAs, etc.).

Q2: When did the SBC requirements first become effective?

The SBC rules initially became effective for plan years beginning in 2013.

Q3: What does an SBC look like?

Please see the sample SBC template at <http://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/sbc-template-accessible.pdf>. The SBC template is to be updated annually for any required changes. HealthTrust uses the template in preparing SBCs for all HealthTrust medical plan options.

Q3a: What are the changes to the SBCs for the 2015 Plan Year?

There are no changes to the SBC template for the 2015 plan year. The only change to the SBC template for the 2014 plan year was the addition of statements of whether the plan or coverage provides Minimum Essential Coverage and whether the plan or coverage meets the Minimum Value Requirements (that is, the plan’s or coverage’s share of the total allowed costs of benefits provided under the plan or coverage is not less than 60 percent of such costs.). Like the 2014 SBCs, the 2015 SBCs prepared by HealthTrust will reflect that all group medical plan options currently offered by HealthTrust provide Minimum Essential Coverage and meet the Minimum Value Requirements.

Though not an SBC template change, the responses to the out-of-pocket limit questions have been updated where necessary to reflect changes for the 2015 plan year to the PPACA out-of-pocket limit amounts and requirements. For plans that include a prescription drug benefit (mail service and/or retail) administered by CVS/caremark, the combined maximum annual out-of-pocket limit for the 2015 plan year has been allocated between medical and prescription drug expenses.

There are no changes to the uniform glossary.

FAQs about the Affordable Care Act Implementation (Part XIX) issued May 2, 2014 which deal with the SBC requirements for 2015 plan years may be found at <http://www.dol.gov/ebsa/faqs/faq-aca19.html>. Those FAQs (Q8) extend, through the 2015 plan year and until further guidance is provided, various safe harbors and penalty enforcement relief that were provided with respect to the SBC requirements for the 2013 and 2014 plan years. This is consistent with the stated approach to implementation of the SBC and other PPACA requirements which is to promote and assist employers and group health plans in their good faith efforts toward compliance.

Q4: How will HealthTrust support the preparation and distribution of SBCs?

HealthTrust will prepare and distribute SBCs to risk pool groups in the following instances:

- Upon Annual Renewal/Open Enrollment (January or July renewal). Annually, HealthTrust will prepare and electronically distribute to your designated Benefits Administrator(s) an SBC template **for each HealthTrust medical plan option** (including prescription drug coverage) that your group is then currently offering. This will occur by the end of October for groups with a January plan renewal. If you are a July group, you will receive the SBCs by the end of April. In addition, in order help you identify the individuals enrolled in each benefit plan option, we will provide a census with respect to each SBC listing names of employees, as well as the names and addresses of COBRA beneficiaries and early retirees, who

are currently enrolled in that plan option.

- Upon Changing or Adding a Plan Option During Renewal. We will prepare and electronically provide you with the SBC for the new plan option no later than 7 business days from HealthTrust's receipt of your written notice of a plan change or addition of a new plan option.
- Upon Material Modification of a Plan During a Plan Year. We will prepare and electronically provide you with the SBC reflecting the new plan coverage no later than 7 business days from HealthTrust's receipt of your written notice of a mid-year plan change or addition of a new plan option.
- Upon Request. We will provide you with an SBC for any medical plan option currently offered by HealthTrust upon your written request no later than 7 business days following receipt of the request.

Please note: Employers may need to supplement the SBC template with additional information unique to their particular plan coverages, such as a description of any employer funding of high-deductibles or other cost sharing through Health Savings Accounts (HSAs) or Health Reimbursement Arrangements (HRAs). If no additional information is needed then the employer may simply distribute the SBC provided by HealthTrust to eligible individuals.

Q5: When does the employer have to provide SBCs to eligible individuals?

The regulations require that the SBC be provided in writing (in either paper or electronic form) and free of charge in several instances:

- Upon Initial Eligibility/Enrollment. For new hires and newly eligible employees, the SBC must be provided when a plan distributes written enrollment/application materials to these individuals. For this purpose, written enrollment/ application materials include any forms or requests for information (in either paper or electronic form) that must be completed for enrollment.
- Upon Annual Renewal/Open Enrollment.
 - If you provide open enrollment materials (i.e., any written enrollment/application materials) to eligible employees, under age 65 retirees and COBRA beneficiaries, you must provide SBCs to those individuals when distributing the open enrollment materials. This should occur on the first day of the open enrollment period.
 - If you do not provide open enrollment materials, the SBC must be provided to eligible employees, under age 65 retirees and COBRA beneficiaries at least 30 days prior to the annual renewal date (January 1 for January groups and July 1 for July groups).
 - If you offer a choice of plan options, you must automatically provide currently enrolled employees, under age 65 retirees and COBRA beneficiaries with an SBC only for the plan option in which they are enrolled. These enrollees also must be provided SBCs for other plan options upon their request.
 - Employees who are eligible for but not currently enrolled in your group medical plan must be provided with SBCs for all plan options for which they are eligible.
- Upon HIPAA Special Enrollment. A HIPAA special enrollment is when an employee or a dependent loses coverage under another group health plan and is eligible to be added to the employer's plan. For example, this can happen if your employee and spouse lose coverage under another employer's plan due to the spouse ending employment. In these situations, the SBC must be provided to the new enrollee within 90 days following the effective date of coverage.
- If There Are Changes to the SBC. If there is any change in the SBC that was previously provided upon initial application or with open enrollment materials and before the first day of coverage, an updated SBC must be provided no later than the first day of coverage.
- Upon Request. The SBC must always be provided upon request as soon as practicable but not later than 7 business days following receipt of the request.
- Upon a Material Modification of the Plan During a Plan Year. If a material modification is made to the plan during the plan year (i.e., other than at annual renewal) a notice of the change or a new SBC must be

provided **no later than 60 days before the effective date of the change**. A “material modification” generally means a change to a plan or plan option that would change information in an existing SBC, and may include either an enhancement or reduction in services or coverage. If a new SBC is needed due to the change, you must notify your HealthTrust Benefits Advisor in writing or by email to obtain the appropriate SBC.

Upon material modifications that occur during a plan year with a mid-year open enrollment allowed: A new SBC or Notice of the plan change must be provided when enrollment materials are distributed **but no later than 60-days in advance** of the effective date of the plan option change.

This regulation will have a significant effect on implementation of plan changes. For example:

- Town meeting vote – The Town passes a plan change at town meeting on March 14, but must provide a 60-day advance notice to employees. A new SBC or Notice of plan changes must be distributed by April 1 for the plan change to be effective on June 1.
- Bargained agreements – A collective bargaining agreement is being negotiated for a September 1 effective date. The agreement must be approved and a new SBC or Notice of plan changes must be distributed by July 1 in order to implement the changes effective September 1.

Upon material modifications that occur during a plan year with no mid-year open enrollment elections allowed: A Notice of the plan change must be provided **at least 60 days in advance** of the effective date of the change, but a new SBC is not required until the next renewal.

Q6: What happens if the employer changes a plan option or adds a new plan option during renewal?

If you change or add a plan option effective upon your plan renewal date (January 1 or July 1) you must notify your HealthTrust Benefits Advisor in writing as soon as possible but no later than 30 days prior to the renewal date. HealthTrust will prepare and electronically provide you with the SBC for the new plan coverage within 7 business days from HealthTrust’s receipt of your notice. When you receive the new SBC from HealthTrust you must distribute the SBC to eligible employees, under age 65 retirees and COBRA beneficiaries in accordance with the rules described in Q4 above “Upon Renewal/Open Enrollment.”

If you receive the new SBC less than 30 days before the renewal date, it should be distributed to eligible individuals as soon as possible but no later than 7 business days of you receiving it from HealthTrust.

Q7: If the employer offers more than one plan option, does every eligible employee need to be provided with a new SBC for each option every year at open enrollment?

For employees who are enrolled in a medical plan, the requirement is to provide a new SBC automatically at open enrollment, but only for the benefit option in which a person is currently enrolled. Employers do not have to automatically provide SBCs for benefit options in which the individual is not enrolled. However, if a person requests an SBC with respect to one or more other benefit option(s) for which the individual is eligible, the SBC(s) must be provided as soon as practicable, but no later than 7 business days following the individual’s request.

Employees who are eligible for but not currently enrolled in your group medical plan must be provided with SBCs for all plan options for which they are eligible.

Q8: Does the SBC have to be provided to every eligible family member or can the SBC be provided to just the employee?

A separate SBC **does not** have to be distributed to every member in a family. A single SBC may be provided to an employee (or under age 65 retiree or COBRA beneficiary) for all eligible family members unless you know that a family member has a different address, in which case a separate SBC must be provided to the dependent's last known address. If the employer does not know that a dependent lives at another address, you can assume the dependent lives with the employee. In addition, employees do not have to be surveyed to verify dependent addresses.

Q9: Can the SBC be distributed with other enrollment or plan related materials?

Yes. The SBC can be distributed with other materials (such as enrollment paperwork, cost sharing summaries or other employer provided documentation) as long as the SBC is provided as a stand-alone document. HealthTrust will continue to provide you with the cost sharing schedules and benefit summaries as we have in the past.

Q10: Can the SBC be sent electronically (by email) or posted to a website?

Yes. The SBC may be delivered by the employer to its benefits-eligible employees (or under age 65 retirees or COBRA beneficiaries) electronically if:

- The format is readily accessible by the employees;
- When the electronic form is a website posting (either Internet or Intranet), the employer advises the employees in paper form or by email that the documents are on the Internet/Intranet and provides the address;
- The electronic form, such as an email with an attachment, can be electronically retained and printed;
- The SBC is placed in a location that is prominent and readily accessible;
- The SBC is consistent with the appearance, content and language requirements of the regulations; and
- The employee is notified that the SBC is available in paper form, free of charge, upon request.

The rules for electronic distribution for the SBCs can be found in Q10 of PPACA FAQs Part VIII at <http://www.dol.gov/ebsa/faqs/faq-aca8.html> and Q1 of PPACA FAQs Part IX at <http://www.dol.gov/ebsa/faqs/faq-aca9.html>.

Q11: How can employees be notified that the SBC is electronically available?

Employees can be notified either by paper or by email stating that the SBC is available electronically. The use of payroll stuffers or postcards is permissible. If an email notification process is to be used you must first obtain consent from the person to receive the SBC by email and must make sure that all recipients have access to the electronic site where the SBCs will be available or can readily open an attachment with the SBC.

Q12: Has the Department of Labor provided model language to meet the requirement to provide an email or postcard in connection with website postings of the SBC?

Yes. Plans have flexibility with respect to this language and may choose to tailor it in many ways. One example from the Department of Labor is:

AVAILABILITY OF SUMMARY HEALTH INFORMATION

As an employee, the health benefits available to you represent a significant component of your compensation package. They also provide important protection for you and your family in the case of illness or injury.

Your plan offers a series of health coverage options. Choosing a health coverage option is an important decision. To help you

make an informed choice, your plan makes available a Summary of Benefits and Coverage (SBC), which summarizes important information about any health coverage option in a standard format, to help you compare across options.

The SBC is available on the web at: {Your Website}. A paper copy is also available, free of charge, by calling {Your Telephone Number}.

Q13: Does a paper copy of the SBC have to be provided upon request?

Yes. The SBC must be provided in paper form, free of charge, upon request as soon practical but no later than 7 business days after the request.

Q14: What are the penalties for not complying with the SBC requirement and what happens if a plan is not in compliance?

PPACA provides that an entity that willfully fails to provide an SBC in accordance with the requirements of the law shall be subject to a fine of not more than \$1,000 for each such failure. A separate fine may be imposed for each individual for whom there is a failure to provide an SBC. The U.S. Department of Health and Human Services has penalty enforcement authority over non-federal governmental plans. See Public Health Service Act Section 2715(f) and 45 CFR 147.200(e).

Through the 2015 plan year and until further guidance is provided, however, the federal agencies have stated that they will not impose penalties on plans that are working diligently and in good faith to comply with the SBC requirements. See Q8 of PPACA FAQs Part IX and Q8 of PPACA FAQs Part XIX (May 2, 2014) at <http://www.dol.gov/ebsa/faqs/faq-aca19.html>. Employers should maintain written procedures and keep records of SBCs and other materials distributed with respect to SBC compliance efforts.

Q15: Are SBCs required to be provided to individuals who are COBRA beneficiaries?

Yes. During an open enrollment period, any COBRA beneficiary must be given the same rights to elect coverage that is also provided to similarly situated non-COBRA beneficiaries. Therefore, the SBC must be provided to any COBRA beneficiary. For more information, see Q8 of PPACA FAQs Part VIII at <http://www.dol.gov/ebsa/faqs/faq-aca8.html>. You as the employer are responsible for distributing the SBC to any COBRA beneficiary. HealthTrust will assist you by providing a listing of COBRA beneficiaries and their addresses.

Q16: Are SBCs required to be provided to individuals enrolled in a “retiree-only” plan such as Medicomp?

No. SBCs do not need to be provided with respect to plans that cover only retirees and their family members. Therefore you do not need to provide SBCs to Medicare-eligible retirees who are covered by your HealthTrust Medicomp plan.

Q17: Are SBCs required to be provided to individuals who are early retirees?

Yes. An SBC must be provided to under age 65, non-Medicare retirees who are covered under a plan that also covers active employees. Most early retirees are enrolled in such plans and therefore must receive an SBC because the plan is not a “retiree only” plan. At renewal, HealthTrust will assist groups by providing a listing of early retirees (who are enrolled in the relevant plan option) and their addresses.

If you have a separate plan established solely for your early retirees you would not have to provide an SBC to those early retirees.

Q18: Are SBCs required to be provided to individuals who are enrolled in a Health Savings Accounts (HSA)?

HSAs are generally not subject to the SBC requirements because they are not considered separate group health plans. Therefore, a separate SBC is not required for an HSA. However, employers who offer a high deductible plan that includes an HSA should supplement the SBC for that plan with information describing the HSA component.

Q19: Are SBCs required to be provided to individuals who are enrolled in a Health Reimbursement Arrangement (HRA)?

The SBC regulatory guidance provides that a separate SBC is not required for an HRA that is “integrated” with an employer’s group medical plan. Under IRS Notice 2013-54 (issued September 13, 2013), an HRA generally will be considered “integrated” with an employer group medical plan only if:

- The employee is eligible to enroll in the employer’s group medical plan;
- The employee is enrolled in a group medical plan (whether or not it is the employer’s);
- The HRA only funds deductibles, coinsurance and/or copays under the group medical plan (other medical expenses may be funded if the group medical plan meets the minimum value requirements of PPACA); **and**
- The employee is allowed to opt out of the HRA at least annually and upon termination of employment.

Most HRAs will be considered “integrated” under these rules and, therefore, no separate SBC is required. Employers, however, should supplement the SBC for the primary group medical plan with information describing the HRA funding component. For example, the employer should provide information regarding the extent to which the employer will fund a portion of a plan deductible through an HRA.

(Please Note: Under the [IRS Notice 2013-54](#) guidance, HRAs that are not considered “integrated” under the above rules will not meet certain other PPACA requirements and, therefore, are no longer permitted to be offered by employers effective for plan years beginning in 2014.) If you offer such a stand-alone HRA, you should contact your HRA vendor for further information.

Q20: Are SBCs required to be provided to individuals who are enrolled in a Health Flexible Spending Account (Health FSA)?

No. An SBC is not required for a Health FSA that provides only “excepted benefits” under federal regulations. See 45 CFR 146.145(c)(3)(v). In general, a Health FSA will be considered to provide only excepted benefits for a class of employees if:

- i) The employer offers group medical plan coverage (in addition to the Health FSA) to the class of employees for the year; **and**
- ii) The employer contributions to the Health FSA do not exceed \$500.*

**Some Health FSAs include a feature under which employee salary reduction contributions are matched by employer contributions. If your plan provides an employer match, employer contributions may not exceed the greater of \$500 or the amount of the employee’s salary reduction contributions.*

Under these rules, Health FSAs that are offered only to employees who are eligible for your primary group medical plan and solely funded with employee salary reduction contributions (and/or employer contributions of \$500 or less) are considered “excepted benefits” and, therefore, do not require a separate SBC.

Under PPACA requirements, all Health FSAs must provide only “excepted benefits” effective for plan years beginning in 2014. Therefore there is no separate SBC required with respect to Health FSAs.

Q21: What is the Glossary referenced in the SBC?

SBC regulations require that all individuals eligible for your group medical plan coverage have access to a uniform Glossary of terms. The purpose of the Glossary is to provide uniform definitions of certain medical terms commonly used in regard to health plan coverage. This Glossary is standard for all plans and each SBC will provide a website where the Glossary may be accessed and a toll-free phone number for requesting a paper copy.

Q22: Where can I find more guidance and information about the SBC requirements?

FAQs about the Affordable Care Act Implementation (Part XIX) issued May 2, 2014 which deal with the SBC requirements for 2015 plan years may be found at <http://www.dol.gov/ebsa/faqs/faq-aca19.html>.

We also recommend that you review the regulatory requirements (45 CRS Part 147.200 et seq.) and related guidance that can be found at <http://www.dol.gov/ebsa/healthreform/index.html>. There is a section specific to the SBC requirements of the law under the heading *Regulations and Guidance* which is titled “Summary of Benefits and Coverage and Uniform Glossary.”

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